

**SOUTH CONEJOS SCHOOL DISTRICT RE-10
ANTONITO, COLORADO
FINANCIAL STATEMENTS**

June 30, 2017

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March 26, 2019
Office of the State Auditor



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

SOUTH CONEJOS SCHOOL DISTRICT RE-10

31099 County Road G
Antonito, Colorado 81120

www.southconejos.com

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORTS

For the Fiscal Year Ended June 30, 2017

Board of Education
As of June 30, 2017

Administrative Staff
For the Fiscal Year 2016-2017
Carla Archuleta, Superintendent
Ramona Garcia, Office Manager/Payroll Clerk

Current
Dr. Emma Martinez, Superintendent

Preparation Assistance
Colorado Department of Education
School Finance Unit
Aaron Oberg, Director of School Finance

SOUTH CONEJOS SCHOOL DISTRICT RE-10
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Education
South Conejos School District RE-10
Antonito, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Conejos School District RE-10 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension information on pages 3-8 and 37-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial schedules and the Colorado School District Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial schedules and the Colorado School District Auditor's Integrity Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules and the Colorado School District Auditor's Integrity Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

March 12, 2019

SOUTH CONEJOS SCHOOL DISTRICT RE-10
Management's Discussion and Analysis (Unaudited)
June 30, 2017

The management of South Conejos School District RE-10 offers readers of the district's basic financial statements this narrative overview and analysis of the financial activities of the district for the fiscal year ended June 30, 2017.

Financial Highlights

On the statement of net position, assets and deferred outflows were more than the district's liabilities and deferred inflows, resulting in a net position of \$8.7 million. Total assets decreased by \$0.6 million, deferred outflows of resources increased by \$3.6 million, total liabilities increased by \$4.9 million and deferred inflows of resources decreased by a small amount.

On the statement of activities, general revenues totaling \$2.7 million accounted for 79.2 percent of all revenues of the primary government. Program revenues provided \$0.7 million, or 20.8 percent of all revenues, directly supporting the functions and programs of the primary government.

Outstanding liability for general obligation bonds payable, decreased by \$0.2 million due to scheduled principal payments.

Governmental funds reported combined ending fund balances of \$2.0 million, an increase of \$1.4 million from the prior year. Unassigned fund balance of \$1.3 million in the General Fund is available for district use. Nonspendable fund balance for inventories represented a small portion; restricted fund balance for statutory requirements totaled \$0.5 million; fund balance amounts assigned by district management for various operations totaled \$0.1 million.

Overview of the Financial Statements

This discussion and analysis serves as an introduction of the district's basic financial statements. The annual report consists of a series of financial statements and notes to those statements organized so the reader can understand the district as a whole. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the district's finances using accounting methods similar to those used by a private-sector business. These statements report the financial status of the district's governmental activities, which represent the district's programs and services, including instruction, support services, food service operations, operation and maintenance of facilities, pupil transportation and administration. These activities are principally supported by taxes. The government-wide financial statements follow the Management's Discussion and Analysis section of this report.

The *statement of net position* presents information on all of the district's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the district's net position changed during the fiscal year. All revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Fund Financial Statements. The fund financial statements focus on the district's major funds and provide more detailed information about the district. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. The district's funds are governmental funds.

Governmental Funds. The district's activities are reported in governmental funds, which focus on how money flows into and out of those funds. Governmental funds are used to account for activities primarily supported by taxes, grants, and similar revenue sources. The balances left at year-end are available for spending in future periods. The governmental fund statements provide a detailed, short-term view on the financial resources that can be spent in the near future on the district's programs.

The focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions.

Because there are differences between *governmental activities* (shown in the statement of net position and the statement of activities previously discussed) and *governmental funds*, two reconciliations are provided in the financial statements. The major differences between the financial reporting on governmental activities and governmental funds are directly related to the district's long-term liabilities and capital assets. For example, repayment of general obligation bonds is shown as an expenditure that reduces fund balance in the Bond Redemption Fund but as a reduction of long-term debt on the statement of activities. Acquisition of capital assets is shown as expenditures that reduce fund balance in governmental funds but as a noncurrent asset on the statement of net position. More details can be found on the reconciliations contained within the financial statements.

Notes to the Basic Financial Statements. The notes to the basic financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information and Other Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also includes *required supplementary information* containing the district's budgetary schedules for the district's General Fund, Bond Redemption Fund and Food Service Fund, as well as pension information required by GASB 68. Other supplementary information, including financial statements and budgetary comparisons for the district's other governmental funds and the Auditor's Integrity Report follows the required supplementary information.

Government-wide Financial Analysis

Governmental Activities. As of June 30, 2017, assets and deferred outflows exceeded liabilities and deferred liabilities. As required by accounting standard, GASB 68, the district has recorded a noncurrent liability of \$11.2 million for its net pension liability. The district has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits or annual required contribution decisions made by Colorado Public Employees' Retirement Association (PERA). As part of the GASB 68 accounting, the districts deferred outflows increased by \$3.5 million. During 2017, the total net position decreased \$1.9 million from \$10.5 million to \$8.6 million. A significant portion of the district's assets are investments in capital assets, such as land, buildings and equipment. The value of capital assets, net of depreciation, decreased by \$1.1 million, from \$20.0 million to \$18.9 million, because the district removed, discontinued or sold assets after relocating to the new school. The district's current assets and current liabilities showed

SOUTH CONEJOS SCHOOL DISTRICT RE-10
 Management's Discussion and Analysis (Unaudited)
 June 30, 2017

minimal change other than cash, which grew by \$0.5 million due to timing and a planned increase in revenue over expenditures.

Restricted net position of the district includes two categories: 1) an emergency fund mandated by Article X, Section 20, of the Colorado constitution (i.e., TABOR) and 2) funds generated from property taxes accounted for in the Bond Redemption Fund that are restricted for the payment of long-term debt. In accordance with the emergency fund mandate, the district reserved 3.0 percent of applicable expenditures and the bond redemption funds, totaling \$0.4 million. Net investment in capital assets, with a corresponding change to unrestricted net position, increased \$8.0 million due to the new school being classified as a capital asset.

Net position for government activities decreased \$1.9 million. Expenses for governmental activities increased \$1.4 million primarily due to the \$1.6 million additional pension expense related to GASB 68. Pension expense is allocated proportionally between instruction and support services in the same proportion as the actual employee benefit expenses.

Net Position. The table below provides a summary of the district's net position for June 30, 2017. Comparative data for June 30, 2016, is also presented.

The following condensed financial information is derived from the government-wide statement of net position.

Comparative Summary of Net Position

	Primary Government			
	Governmental Activities		Increase (Decrease)	% Change from 2016
	June 30, 2017	June 30, 2016		
Current assets	\$ 2,275,597	\$ 1,770,500	\$ 505,097	28.5%
Capital assets, net	18,951,725	20,013,481	(1,061,756)	-5.3%
Total assets	21,227,322	21,783,981	(556,659)	-2.6%
Deferred outflows of resources	4,320,135	746,002	3,574,133	479.1%
Current liabilities	498,173	601,410	(103,237)	-17.2%
Noncurrent liabilities outstanding	15,979,486	10,941,438	5,038,048	46.0%
Total liabilities	16,477,659	11,542,848	4,934,811	42.8%
Deferred inflows of resources	406,196	470,043	(63,847)	-13.6%
Net investment in capital assets	14,042,538	6,050,328	7,992,210	132.1%
Restricted	514,231	435,030	79,201	18.2%
Unrestricted (deficit)	(5,893,167)	4,031,734	(9,924,901)	-246.2%
Total net position	\$ 8,663,602	\$ 10,517,092	\$ (1,853,490)	-17.6%

The deferred outflows increase of \$3.6 million is due to the change in assumptions used for PERA's actuarial valuation. See the Notes to the Financial Statements for additional information on GASB 68. The change in capital assets and unrestricted partially offset due to the district's new building. The remaining \$2.0 million change in unrestricted net position is due to the district's pension liability.

SOUTH CONEJOS SCHOOL DISTRICT RE-10
Management's Discussion and Analysis (Unaudited)
June 30, 2017

The following condensed financial information is derived from the government-wide statement of activities and reflects how the district's net position changed from June 30, 2016, to June 30, 2017.

Comparative Summary of Activities and Changes in Net Position

	Primary Government			
	Governmental Activities		Increase (Decrease)	% Change from 2016
	June 30, 2017	June 30, 2016		
REVENUES				
Program revenues:				
Charges for services	\$ 64,770	\$ 57,601	\$ 7,169	12.4%
Operating grants & contributions	645,191	694,613	(49,422)	-7.1%
General revenues:				
Property taxes	1,257,515	1,142,570	114,945	10.1%
State share	1,959,296	1,875,417	83,879	4.5%
Other	(511,031)	(1,407,863)	896,832	-63.7%
Total revenues	3,415,741	2,362,338	1,053,403	44.6%
EXPENSES				
Instruction	2,896,732	2,102,190	794,542	37.8%
Supporting services	1,896,676	1,537,251	359,425	23.4%
Other support services	64,638	-	64,638	
Food service operations	202,117	-	202,117	
Interest on long-term debt	209,068	218,111	(9,043)	-4.1%
Total expenses	5,269,231	3,857,552	1,411,679	36.6%
Change in net position	(1,853,490)	(1,495,214)	(358,276)	24.0%
Net position - beginning of year	10,517,092	12,012,306	(1,495,214)	-12.4%
Net position - end of year	\$ 8,663,602	\$ 10,517,092	\$ (1,853,490)	-17.6%

Analysis of the District's Governmental Funds

As noted earlier, the district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the district's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Unassigned fund balance may serve as a useful measure of the net resources available for spending. The governmental funds use the modified accrual basis of accounting. The fund financial statements provide information about the district's most significant funds and summarize less significant funds into one column.

The Colorado constitution requires an emergency reserve of 3.0 percent of expenditures, with certain federal and local expenditures excluded from this requirement. On the district's Balance Sheet for

SOUTH CONEJOS SCHOOL DISTRICT RE-10
 Management's Discussion and Analysis (Unaudited)
 June 30, 2017

Governmental Funds, the requirement amount of \$88,000 is shown as fund balance restricted for TABOR emergency reserve.

General Fund. The General Fund's unassigned fund balance is \$1.3 million, which provides a measure of the district's net resources available for spending at the end of the fiscal year. This is an increase of \$0.5 million from the prior year. Fund balances increased in the bond redemption fund and the general fund. The increase in the general fund was due to an underspending of expenditures. The increase in the bond redemption fund was due to an increase in property taxes restricted for debt service.

The district's board of education has not set a policy requiring a minimum total fund balance in the General Fund. Management believes the 51.4% general fund operating reserve ratio is a responsible amount given the unpredictability of revenue related to pupil count and the unpredictability of expenditures related to insurance and special education. The district's operating reserve was 12.8% in 2014. This year marks the second year of the district spending less than its current revenues. This fiscal discipline allowed the district to increase its fiscal health in meeting the financial indicator benchmarks set by the state.

Revenues. Governmental funds revenue increased slightly by \$0.2 million with the increase driven solely by local revenue. The increases were due to additional gifts and sales of capital assets received over the prior year. Tax revenue increased due to an increase in the bond redemption fund. The remaining local revenues remaining relatively flat with decreases in federal grants and state funding.

Expenditures. Total governmental funds expenditures remained the same at \$3.5 million. Excluding debt service, expenditures were \$3.1 million.

General Fund Budgetary Highlights

Actual revenues were essentially equal to budget. Increases in gifts and the sale of fixed assets offset decreases to per pupil funding and federal grant revenue. The positive variance in expenditures related to an underspending in school-based expenditures of \$301,527 and underspending of \$139,531 in other expenditures.

Capital Assets and Debt Administration

Capital assets

Net of depreciation, the district's capital assets as of June 30, 2017, totaled \$19.0 million, which is invested in land, buildings, equipment, vehicles and construction in progress. Current fiscal year depreciation totaled \$414,911.

	Capital Assets			
	(Net of Depreciation)			
	Primary Government		Increase (Decrease)	% Change From 2016
Governmental Activities				
	June 30, 2017	June 30, 2016		
Land	\$ 45,124	\$ 45,124	\$ -	-
Buildings and improvements	18,781,456	19,820,050	(1,038,594)	-5.2%
Equipment and vehicles	81,905	148,306	(66,401)	-44.8%
Subtotal	18,908,485	20,013,480	(1,104,995)	-5.5%
Construction in progress	43,239	-	43,239	-
Total	\$ 18,951,724	\$ 20,013,480	\$ (1,061,756)	-5.3%

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 Management’s Discussion and Analysis (Unaudited)
 June 30, 2017

The most significant impact on capital assets this year was the continuing disposition of assets no longer required because of the district’s new school building. The construction in progress relates to the playground equipment paid for with private grant funds. For more information on the district’s capital assets, refer to Note 5 Capital Assets in the Notes to the Financial Statements.

Long-Term Debt

The remaining long-term debt principal is \$4.9 million with \$0.2 million due in one year. For more information on the district’s long-term debt, refer to Note 8 Noncurrent Liabilities in the Notes to the Financial Statements.

Outstanding Debt				
June 30, 2017				
Primary Government				
Governmental Activities				
	June 30, 2017	June 30, 2016	Increase (Decrease)	% Change From 2016
General obligation bonds	\$ 4,909,187	\$ 5,104,834	\$ (195,647)	-3.8%

Other Highlights

Additional information related to capital assets and debt administration are located in Note 5 and Note 8 respectively. The food service fund required a larger than expected transfer from the general fund because expenditures continue to significantly exceed revenues.

Requests for Information

This financial report is designed to provide a general overview of the district’s finances and to demonstrate the district’s accountability for the money it receives. If you have questions about this report or need additional information, please contact the Superintendent, South Conejos School District RE-10, 31099 County Road G, Antonito, Colorado 81120, or visit our website at southconejos.com.

SOUTH CONEJOS SCHOOL DISTRICT RE-10
BASIC FINANCIAL STATEMENTS

SOUTH CONEJOS SCHOOL DISTRICT RE-10
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 1,673,517
Restricted cash and investments	376,143
Cash with fiscal agent	34,005
Taxes receivable	117,792
Grants receivable	33,373
Inventories	1,841
Other accounts receivable	38,926
Total current assets	2,275,597
Noncurrent assets:	
Nondepreciable capital assets	88,363
Depreciable capital assets	18,863,361
Total noncurrent assets	18,951,724
TOTAL ASSETS	21,227,321
DEFERRED OUTFLOWS OF RESOURCES	
Items related to pension plan (DO)	4,320,135
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,320,135
LIABILITIES	
Current liabilities:	
Accounts payable	20,410
Accrued interest	16,777
Accrued salaries and benefits	247,104
Noncurrent liabilities, due within one year:	
General obligation bonds (current)	203,840
Compensated absences (current)	10,042
Total current liabilities	498,173
Noncurrent liabilities, due beyond one year:	
General obligation bonds	4,705,347
Net pension liability	11,234,627
Compensated absences	39,512
Total noncurrent liabilities	15,979,486
TOTAL LIABILITIES	16,477,659
DEFERRED INFLOWS OF RESOURCES	
Items related to pension plan (DI)	406,196
TOTAL DEFERRED INFLOWS OF RESOURCES	406,196
NET POSITION	
Net investment in capital assets	14,042,537
Restricted for:	
TABOR emergency reserve	88,000
Debt service	426,231
Unrestricted (deficit)	(5,893,167)
TOTAL NET POSITION (DEFICIT)	\$ 8,663,601

The accompanying footnotes are an integral part of these financial statements.

SOUTH CONEJOS SCHOOL DISTRICT RE-10

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
<u>Functions/Programs</u>				<u>Governmental Activities</u>
Primary government:				
Governmental activities:				
Instruction	\$ 2,896,732	\$ -	\$ 399,893	\$ (2,496,839)
Supporting services	1,896,676	-	123,241	(1,773,435)
Other support services	64,638	60,256	-	(4,382)
Food service operations	202,117	4,515	122,055	(75,547)
Interest on long-term debt	209,068	-	-	(209,068)
Total governmental activities	<u>\$ 5,269,231</u>	<u>\$ 64,771</u>	<u>\$ 645,189</u>	<u>(4,559,271)</u>
General revenues:				
Property taxes, levied for general use				725,778
Property taxes, levied for debt service				531,737
State share				1,959,296
Earnings on investments				2,255
Loss on the disposition of capital assets				(513,286)
Total general revenues				<u>2,705,780</u>
Change in net position				(1,853,491)
Net position (deficit) - July 1, 2016				<u>10,517,092</u>
Net position (deficit) - June 30, 2017				<u>\$ 8,663,601</u>

The accompanying footnotes are an integral part of these financial statements.

SOUTH CONEJOS SCHOOL DISTRICT RE-10
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>Debt Service</u>		<u>Special Revenue</u>		<u>Total Governmental</u>
	<u>General</u>	<u>Bond Redemption</u>	<u>Grants</u>	<u>Other Governmental</u>	
ASSETS					
Cash and investments	\$ 1,420,836	\$ -	\$ 106,929	\$ 145,753	\$ 1,673,517
Restricted cash and investments	-	376,143	-	-	376,143
Cash with fiscal agent	25,134	8,871	-	-	34,005
Taxes receivable	60,579	57,213	-	-	117,792
Interfund accounts receivable	87,494	-	-	13,954	101,448
Grants receivable	-	-	21,710	11,663	33,373
Inventories	-	-	-	1,841	1,841
Other accounts receivable	30,591	8,335	-	-	38,926
TOTAL ASSETS	<u>\$ 1,624,634</u>	<u>\$ 450,562</u>	<u>\$ 128,639</u>	<u>\$ 173,210</u>	<u>\$ 2,377,045</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Accounts payable	\$ 7,914	\$ -	\$ 3,985	\$ 8,511	\$ 20,410
Interfund accounts payable	4,305	-	97,143	-	101,448
Accrued salaries and benefits	201,632	-	27,511	17,961	247,105
Deferred grant inflows	-	-	-	-	-
TOTAL LIABILITIES	<u>213,851</u>	<u>-</u>	<u>128,639</u>	<u>26,473</u>	<u>368,962</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable fund resources	25,763	24,331	-	-	50,094
FUND BALANCE					
Nonspendable:					
Inventories	-	-	-	1,841	1,841
Restricted for:					
TABOR emergency reserve	88,000	-	-	-	88,000
Debt service	-	426,231	-	-	426,231
Assigned for:					
Capital Projects	-	-	-	7,202	7,202
Pupil activity	-	-	-	137,695	137,695
Unassigned	1,297,020	-	-	-	1,297,020
TOTAL FUND BALANCE	<u>1,385,020</u>	<u>426,231</u>	<u>-</u>	<u>146,738</u>	<u>1,957,988</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,624,634</u>	<u>\$ 450,562</u>	<u>\$ 128,639</u>	<u>\$ 173,210</u>	<u>\$ 2,377,045</u>

The accompanying footnotes are an integral part of these financial statements.

SOUTH CONEJOS SCHOOL DISTRICT RE-10
RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENTAL ACTIVITIES NET POSITION
June 30, 2017

Total fund balances for governmental funds		\$ 1,957,988
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		18,951,724
Noncurrent liabilities related to debt applicable to the district's governmental activities are not reported in the fund statements. However, these items are reported in the statement of net position.		(4,909,187)
Certain deferred inflows related to unavailable fund resources do not provide current financial resources and the revenues are not recognized on the fund financial statements but are recognized on the government-wide financial statements.		50,094
Certain long-term activities related to the district's pension plan are not reported in the governmental funds as they are not available in the current period, do not provide financial resources to the district, or are not due and payable in the current period. Those long-term activities include:		
Deferred outflows of resources	4,320,135	
Deferred inflows of resources	(406,196)	
Net pension liability	(11,234,627)	
Total pension effects	(7,320,688)	
The current operating resources measurement focus in the governmental fund statements does not require the recognition of accrued interest payable for long-term debt. This amount represents the amount of interest payable accrued in the government-wide financial statements for long-term debt for general obligation debt.		(16,777)
Compensated absences are included in the fund statements to the extent they are due and payable and the remainder are only included in the government-wide statement of net position.		(49,553)
Total net position (deficit) of governmental activities		\$ 8,663,601

SOUTH CONEJOS SCHOOL DISTRICT RE-10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>General</u>	<u>Debt Service Bond Redemption</u>	<u>Special Revenue Grants</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
REVENUES					
Local:					
Property taxes	\$ 513,996	\$ 507,406	\$ -	\$ -	\$ 1,021,402
Specific ownership	186,019	-	-	-	186,019
Pupil activities	-	-	-	60,256	60,256
Gifts and grants	169,376	-	-	-	169,376
Sale of capital assets	188,060	-	-	-	188,060
Other	65,787	-	-	4,516	70,303
Earnings on investments	1,488	255	-	513	2,255
State:					
State equalization	1,959,296	-	-	-	1,959,296
Transportation	35,080	-	-	-	35,080
Vocational education	27,018	-	-	-	27,018
English Language Proficiency Act	20,212	-	-	-	20,212
READ Act	11,012	-	-	-	11,012
Gifted and talented	5,187	-	-	-	5,187
Library grant	3,500	-	-	-	3,500
At-risk	2,586	-	-	-	2,586
Grants	-	-	-	988	988
Federal grants	2,487	-	180,888	121,068	304,443
TOTAL REVENUES	<u>3,191,105</u>	<u>507,660</u>	<u>180,888</u>	<u>187,339</u>	<u>4,066,993</u>
EXPENDITURES					
Current:					
Instruction	1,330,523	-	161,719	64,638	1,556,880
Pupil support	144,426	-	3,096	-	147,522
Staff support	9,760	-	-	-	9,760
General administration	339,794	-	9,633	-	349,427
School administration	188,430	-	6,440	-	194,870
Operations and maintenance	296,244	-	-	-	296,244
Transportation	85,921	-	-	-	85,921
Other central support	114,702	-	-	-	114,702
Risk management	51,961	-	-	-	51,961
Other supporting services	45,892	-	-	-	45,892
Food service operations	-	-	-	202,117	202,117
Facilities acquisition and improvements	-	-	-	12,795	12,795
Debt service:					
Principal	-	195,647	-	-	195,647
Interest	-	209,684	-	-	209,684
Fees	-	750	-	-	750
TOTAL EXPENDITURES	<u>2,607,653</u>	<u>406,081</u>	<u>180,888</u>	<u>279,550</u>	<u>3,474,172</u>
Excess (deficiency) of revenues over (under) expenditures	<u>583,452</u>	<u>101,579</u>	<u>-</u>	<u>(92,211)</u>	<u>592,821</u>
OTHER FINANCING SOURCES (USES)					
Transfers from General fund	-	-	-	86,176	86,176
Transfers out:					
Food service	(67,612)	-	-	-	(67,612)
Capital reserve	(18,565)	-	-	-	(18,565)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(86,176)</u>	<u>-</u>	<u>-</u>	<u>86,176</u>	<u>-</u>
Net change in fund balances	<u>497,276</u>	<u>101,579</u>	<u>-</u>	<u>(6,034)</u>	<u>592,821</u>
Fund balance - Beginning of year	<u>887,744</u>	<u>324,652</u>	<u>-</u>	<u>152,772</u>	<u>1,365,167</u>
Fund balance - End of year	<u>\$ 1,385,020</u>	<u>\$ 426,231</u>	<u>\$ -</u>	<u>\$ 146,738</u>	<u>\$ 1,957,988</u>

The accompanying footnotes are an integral part of these financial statements.

SOUTH CONEJOS SCHOOL DISTRICT RE-10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net changes in fund balances - total governmental funds:	\$ 592,821
 Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of long-term debt is an expenditure in the governmental funds but reduces the liability in the statement of net position.	195,647
Unearned revenue does not provide current financial resources on the governmental fund financial statements, but this change in unearned revenue from year to year is recognized on the government-wide financial statements.	50,094
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period and also includes asset retirement activity and non-cash capital contributions, which is reported differently between the fund and government-wide financial statements.	
Capital outlays	54,500
Depreciation expense	(414,911)
Asset retirement activity	(701,346)
Total capital outlay reported as expenditures	(1,061,757)
A portion of the pension expense recorded in the statement of activities does not require use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	(1,631,095)
The current operating resources measurement focus in the governmental fund statements does not require the recognition of accrued interest payable for long-term debt.	1,366
The change in compensated absences is not recognized as an expenditure in the fund financial statements but is recognized in the statement of activities.	(567)
Total net position (deficit) of governmental activities	\$ (1,853,491)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of South Conejos School District RE-10 have been prepared in accordance with accounting principles generally accepted in the United States of America. In addition, the district conforms to the Colorado Financial Policies and Procedures Handbook as required by Colorado statutes. A summary of the significant accounting policies applied in the preparation of the basic financial statements is described below.

Reporting Entity

South Conejos School District RE-10 is a political subdivision and corporate body of the state of Colorado. The public elects a five-member board of education, which has the authority to make decisions, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The board members are elected for four-year terms. The district superintendent serves as the executive officer of the board. The superintendent does not maintain any voting privileges.

The district receives local, state, and federal funding and must comply with regulations established by all of these entities. The district is not included as a component unit in any other governmental reporting entity. In accordance with accounting principles generally accepted in the United States of America, these financial statements present all funds of the district.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which direct expenses for a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Capital asset depreciation is reported as a direct expense of the functional program that benefits from the use of the capital asset. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

Measurement Focus and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental funds account for the district's general governmental activities and use the flow of *current financial resources measurement focus*. This measurement focus means that only current assets and current

liabilities are included in these balance sheets. The reported fund balances are considered a measure of available spendable resources. Governmental fund operating statements show increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they present a summary of sources and uses of available spendable resources during the reporting period.

All governmental funds use the *modified accrual basis* of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available. *Measurable* means the amount of the transaction can be determined, while *available* means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual include property taxes and payments from the state for equalization funding, special education and vocational education reimbursements. The district considers these revenues available if they are collected within 60 days after year-end. The district considers all property tax revenues available if they are collected within 60 days after year-end. In addition, under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred with two exceptions. These exceptions include (1) interest on general long-term obligations which is recognized when due, and (2) compensated absences, such as accrued unused vacation pay and paid leave, which are recognized when the obligations are expected to be liquidated when matured.

Governmental Funds

The accounts of the district are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity, with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the district is consistent with legal and managerial requirements.

The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

The Bond Redemption Fund is the government's debt service fund. It accounts for the accumulation of resources to pay general long-term debt principal, interest, and related costs.

The Grants Fund is classified as a special revenue fund and is used to account for revenues and expenditures related to federal, state and local grants. Special revenue funds are used to account for proceeds of special revenue sources that are legally or otherwise restricted to expenditures for specified purposes. Revenue restrictions in this fund are imposed by the grantor for the specific purposes of the grant.

The Nutrition Services Fund is classified as a special revenue fund and is used to account for revenues and expenditures related to providing students with healthy and nutritious meals. Special revenue funds are used to account for proceeds that are legally or otherwise restricted to expenditures for specified purposes. Revenues in the Nutrition Services Fund are primarily from federal, state, and local sources specifically for school cafeteria operations.

The Pupil Activity Fund is a special revenue fund and accounts for revenue and expenditures related to school-sponsored pupil intrascholastic and interscholastic athletic and other related activities. These activities are supported in whole or in part by revenue from pupils, gate receipts and other fundraising activities.

The Capital Reserve Fund is a capital projects fund and accounts for ongoing capital outlay needs of the district such as equipment purchases.

Major and Nonmajor Funds

The district reports the following major funds.

<u>Fund Group</u>	<u>District Fund Name</u>	<u>Fund Type</u>
<i>Governmental Funds</i>	General Fund	General
	Bond Redemption Fund	Debt Service
	Grants Fund	Special Revenue

Additionally, the district reports the following nonmajor governmental funds.

<u>Fund Group</u>	<u>District Fund Name</u>	<u>Fund Type</u>
<i>Governmental Funds</i>	Nutrition Services Fund	Special Revenue
	Pupil Activity Fund	Special Revenue
	Capital Projects Capital Reserve Fund	Capital Projects

Assets, Deferred Outflows/Inflows of Resources, Liabilities and Fund Balances/Net Position

Cash and Investments

The district is required to deposit funds in eligible public depositories as defined by Section 11-10.5-104, C.R.S. The eligible depository is required to pledge collateral having a market value that exceeds 102 percent of uninsured aggregate public deposits to the Colorado Division of Banking. Eligible collateral types include obligations of the United States, the state of Colorado, local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. The collateral is not held in the name of the district but is part of a collateral pool. The district's bank deposits are entirely covered by federal depository insurance or collateralized in accordance with the statute.

The district maintains deposits in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment trust established by state statute for local governments in Colorado to pool surplus funds for investment purposes. COLOTRUST operates similarly to demand deposit accounts where each share is equal to one dollar. COLOTRUST invests in U.S. Treasury securities, written repurchase agreements, certain approved obligations of agencies of the U.S. government and commercial paper rated in the highest rating category. The district considers COLOTRUST funds, U.S. government securities and certificates of deposit with an original maturity of three months or less to be cash equivalents. Investments are reported at fair value (generally based on quoted market prices) except for the position in local government investment pools.

It is the policy of the district to invest public funds in a manner which will provide the highest investment return with the maximum security, meet the daily cash flow demands of the district, and conform to all federal, state and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets and all funds of the district over which it exercises financial control. Investment activities are governed by Section 24-75-601, C.R.S.

Restricted cash and investments.

As mandated by Section 22-45-103, C.R.S., the district maintains deposits for the Bond Redemption Fund in a third-party custodial bank, Zions Bank, Denver Corporate Trust Office, 1001 17th Street, Suite 850, Denver, Colorado, 80202. The deposits are restricted to the payment of bond principal, interest and related fees.

Cash with fiscal agent

Conejos County collects property taxes for the district and holds the funds in trust until sent to the district, generally on a monthly basis. The amount held by the County Treasurer is included as a receivable on the balance sheet and statement of net position.

Interfund Transactions

Transactions between funds that are representative of lending or borrowing arrangements result in interfund balances. Balances representing the current portion of interfund loans are reported as interfund accounts received and accounts payable. Another type of interfund transaction is a transfer, which occurs when resources of one fund are transferred to another fund. For the fiscal year ended June 30, 2017, the district reported both interfund transfers and current interfund loans.

Receivables and Payables

Property taxes are levied on December 15 and are payable in full by April 30, or in two equal installments due February 28 and June 15. Taxes are considered past due on June 15. Personal property taxes that remain unpaid as of October 1 will be subject to distraint, seizure and sale to satisfy taxes due. Conejos county bills and collects property taxes for all taxing entities in the county. Property tax receipts collected by the county on behalf of the district are remitted to the district in the subsequent month. A fee of 0.25 percent on General Fund collections is retained by the county as compensation for collecting the taxes and is reflected as an expenditure in the General Fund.

In the governmental statements, which use the modified accrual basis of accounting, property taxes are reported as receivables and deferred inflows of resources when taxes are levied. Taxes received within 60 days after year-end are reported as revenue and as county treasurers' receivables. In the government-wide financial statements, which use the full accrual basis of accounting, property taxes are recognized as revenue for the full levy amount in the period for which they are levied.

For federal and state grants and entitlements, a receivable is established when related expenditures exceed receipts, and revenue is recognized to the extent of related expenditures when eligibility requirements are met. Grant revenues are recognized if they are collected within a one year period after the expenditures occur. Unearned federal and state grant and entitlement revenue is established when receipts exceed expenditures and all eligibility requirements have not been met.

Inventories

Inventories consist of expendable supplies held for consumption. Expenditures for supplies are recorded upon the release of these items to various schools and departments. Inventories for governmental activities are stated at cost as determined by the weighted average cost method. Expenses for food items are recorded when used. Inventories for food items are stated at cost as determined by the first-in, first-out method.

Capital Assets

The primary government considers capital equipment and vehicles to be those items having a useful life greater than one year and having an original item value greater than \$5,000. All capital assets are recorded at either original cost or an estimated historical cost in the case of assets for which actual cost was not determinable. Donated assets have been recorded at acquisition value on the date of receipt. Expenditures that significantly enhance the value of an asset whether land, building, or equipment are capitalized according to the district's policies. However, expenditures for repairs, maintenance and expendable supplies are not capitalized.

Capital assets of the district are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Building and site improvements/renovations	5-35
Vehicles	5-12
Equipment	5-25

Deferred Outflows/Inflows of Resources

A deferred inflow of resources is an acquisition of net position by the district that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by the district that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate.

Under the modified accrual basis of accounting, revenues and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as deferred inflows of resources.

Deferred outflows of resources of the entity consist of a deferred charge on refunding in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Refer to the notes below for information on deferred outflows of resources and deferred inflows of resources related to pensions.

Accrued Compensation

Salaries and benefits of certain contractually employed personnel are paid over a 12-month period (for example, from August to July), but are earned during a school year of approximately 10 months.

Compensated Absences – Accumulated Unused Paid Leave and Vacation Pay

District policy allows employees to accumulate unused paid leave and vacation pay to specified limits. Employees may accumulate sick leave without limit. Unused sick leave will payout upon resignation from the district up to 15 days and upon retirement up to 30 days at the district’s state substitution daily rate. Unused vacation leave is expected to be used in the year in which it was earned but may be accumulated and carried over to specified limits. Unused vacation is paid in full to specified limits upon an employee’s retirement or termination of employment.

In the governmental funds, which use the modified accrual basis of accounting, only the amounts due at the end of the fiscal year are accrued as current-year expenditures. These amounts are shown as fund liabilities. The General Fund is used to liquidate the compensated absences liabilities of the governmental funds.

In the government-wide financial statements, the district has estimated a portion of the total unused vacation pay and paid leave liability as due within one year with the remainder of the liability recorded as a long-term liability.

Noncurrent Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Bond premiums and discounts are recognized as other financing sources and uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

For financial reporting purposes, the district follows the requirements of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements; which states under certain circumstances for capital leases, the present value of future minimum lease payments should be shown as a liability and related assets should be capitalized in the basic financial statements. Capital leases held by the district have been renewed annually, and title to the related property has been acquired pursuant to the lease.

General obligation bonds are serviced from property taxes and other revenues of the Bond Redemption Debt Service Fund.

Accumulated unused vacation and paid leave for governmental funds are serviced from the General Fund.

Staff employed with the district during the 2004 fiscal year were awarded \$11,500 in long-service compensation once they completed 15 years of service to the district. Written notice of eligibility and requested payment option from the employment must be submitted to the superintendent for approval prior to payment. As of June 30, 2017, one employee remained qualified for the payment with the balance recorded in accrued salaries and benefits.

The district has no legal obligation to fund the balance of the net pension liability recorded in the government-wide financial statements. Annual contributions to the pension plan are made from the fund in which an employee is paid.

Defined Benefit Pension Plans

The district participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances and Net Position

Fund balances are the excess of assets minus liabilities and are shown only in the governmental funds statements. Governmental funds balances are classified into five categories: restricted, committed, assigned, unassigned or nonspendable. Fund balance is reported as restricted when constraints placed on the use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Assets that are required by outside sources to be used for a specific purpose are shown on the balance sheet as restricted

assets. Any formal action, ordinance or resolution, of the board of education, the highest level of decision making authority, which places constraints on the use of funds to a specific purpose is categorized as committed fund balance. Actions to remove the constraints, regardless if they were imposed by an ordinance or a resolution, would require the same level of difficulty needed to place constraints on the use of funds to a specific purpose. Fund balance is reported as assigned when the board, or other authorized body or official, intends to use the funds for a specific purpose. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance is the residual classification for the General Fund and represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes and may only be reported in the General Fund.

The district does not have a policy for its use of unrestricted fund balance amounts, but considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balances could be used. When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first, and then use unrestricted resources as they are needed.

Net position is the excess of assets minus liabilities and is shown in the government-wide and fiduciary fund financial statements. Net position includes the following three classifications: (a) net investment in capital assets which consists of capital assets, net of accumulated depreciation, and reduced by the outstanding amount of debt which was issued to acquire or construct the capital assets, (b) restricted net position report amounts legally segregated for a specific future use, and (c) remaining net position is reported as unrestricted.

Reclassifications

Certain amounts reported as of June 30, 2016 have been reclassified to conform to the June 30, 2017 financial statement presentations.

Estimates

Preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Encumbrances

Outstanding encumbrances represent a commitment for the estimated amount of expenditures, which could ultimately result from the fulfillment of uncompleted purchase orders and contracts. Encumbrances lapse at the end of each fiscal year. Lapsed encumbrances are then reviewed by the district to determine which will remain canceled and which will be reinstated and paid from the subsequent year's appropriations, if any. Encumbrances are not considered expenditures until an actual liability is incurred.

Legal Compliance – Article X, Section 20 of the Colorado Constitution (the 1992 Taxpayers' Bill of Rights Amendment)

To comply with the TABOR amendment, the district has budgeted and continues to report an emergency reserve. Recognition of this year's reserve of \$88,000 is shown as restricted fund balance in the General Fund. The emergency reserve cannot be used for adverse economic conditions, revenue shortfalls, or district salary or fringe benefit increases. If at any time the board of education expends any money from the district

emergency reserve, the board is required to restore the reserve to three percent of the amount budgeted to the General Fund as follows:

- If the board of education expends money from the district emergency reserve in a single fiscal year, the board shall restore the reserve within 36 months of the first draw of the money from the reserve, and
- If the board of education expends money from the district emergency reserve in two consecutive fiscal years, the board shall restore the reserve by the end of the fiscal year following the second fiscal year in which the board expended money from the reserve. The following table summarizes the calculation of this year's three percent emergency reserve mandated by the TABOR amendment, as recorded, for the district.

TABOR Fund Balance Reserve for Emergencies

Qualifying revenues, all district funds		\$ 4,066,993
Less excludable amounts:		
Federal sources	\$ 304,443	
Gifts	169,376	
Property Sales	188,060	
Bond Redemption	507,660	
Total excludable amounts		<u>1,169,539</u>
Revenues subject to TABOR		2,897,454
TABOR reserve percentage		<u>3.0%</u>
Calculated reserve for emergencies		86,924
Additional district amount reserved		<u>1,076</u>
Total amount reserved for emergencies		<u>\$ 88,000</u>

Another restriction within the TABOR amendment addresses long-term or multi-year leases. District management carefully considers any such arrangements to prevent any noncompliance with this amendment. Since passage of the TABOR amendment, long-term agreements are structured through escrow arrangements and annual agreements. The amendment is subject to judicial interpretation; however, district management believes it is in compliance with these limitations.

In the November 1996 general election, voters approved an exemption from TABOR revenue and spending limitations for the district.

Minimum Fund Balance/Cash Fund Emergency Policy

As defined in district policy, DB – Annual Budget, the superintendent is required to maintain a minimum General Fund or cash fund operating reserve. The percentage is not included as of the November 2010 revision. The operating reserve is generally in addition to the 3.0 percent restricted amount required by the Taxpayer Bill of Rights (TABOR). The policy does not specify the circumstances under which these funds can be used or the method of repayment, if the funds are used.

Subsequent Year Expenditures

Budgets for each subsequent fiscal year are approved by the board of education. Some governmental funds have budgeted expenditures in excess of budgeted revenues; it is the intent of the district to utilize the ending fund balances from the prior fiscal year to provide for the excess expenditures. The Bond Redemption Fund appropriates all of its fund balance for the purpose of scheduled payments of bond principal and interest and the potential defeasance of outstanding debt.

NOTE 3: DEPOSITS AND INVESTMENTS

Cash, Cash Equivalents and Investments

Cash and investments as of June 30, 2017, are classified in the financial statements as either unrestricted or restricted. The cash balance in the Bond Redemption Fund is restricted cash on the basic financial statements.

The district's cash and investment balances are allocated as follows:

Checking and certificates of deposit (cash in bank)	\$ 1,527,303
Investments (pooled cash and mutual funds)	522,357
Total	<u>\$ 2,049,660</u>

Deposits

The Colorado General Assembly passed the Public Deposit Protection Act (the PDPA) in 1975. The purpose of the PDPA is to protect all public funds held on deposit in financial institutions. In the event eligible banks or savings and loan institutions default, statutes provide for the expedited repayment of public deposits not covered by the Federal Deposit Insurance Corporation. The district has no custodial credit risk because all deposits are insured by the Federal Deposit Insurance Corporation or are held in PDPA-eligible institutions. The district's cash deposits had a carrying amount of \$1,691,385 and a corresponding bank balance of \$1,527,303. Of the bank balance, \$1,217,481 was uninsured but collateralized in accordance with provisions of the PDPA.

Reconciliation of Deposits to Cash, Cash Equivalents and Investments

Primary Government

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking, certificates of deposit and money market accounts	\$ 2,049,660	\$ 2,213,742
Cash with fiscal agent	34,005	-
Total	<u>\$ 2,083,665</u>	<u>\$ 2,213,742</u>

Investments

The district has deposits a COLOTRUST account, in the amount of \$146,214 which is invested in overnight investment accounts and are rated AAAM by Standard & Poor's.

The district's investment policy requires all investments to comply with federal, state and local statutes governing the investment of public funds.

Investments are subject to many different types of risk, including credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The district's money market investments and COLOTRUST are highly rated by Standard & Poor's, an indication of low credit risk. The district has no foreign currency risk. Concentration of credit risk exists when 5.0 percent or more of the primary government's total investments is concentrated in any one issuer. When investments are concentrated in one issuer, a heightened potential for loss exists. The district has no concentration of credit risk. In general, investments issued or guaranteed by the U.S. government and other pooled investments are excluded from the concentration of credit risk.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Overall credit risk is the chance that an issuer of an investment will not fulfill its obligations. To minimize overall credit risk, state law and district policies require that the district limit its investments to issuers which have received one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The district currently has no investments with recurring measurements. At June 30, 2017, the District holds investments at COLOTRUST in the amount of \$146,214 and Zion's Bank in the amount of \$376,143, which are measured at net asset value. The district utilizes one local government investment pool when a high degree of liquidity is prudent. COLOTRUST is a local government investment pool with a stable net asset value. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00, although not guaranteed. Investment objectives and strategies focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. COLOTRUST may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of the U.S. government agencies and highly rated commercial paper. A designated custodial bank serves as a custodian for COLOTRUST's portfolio pursuant to a custodian agreement. The custodian acts as a safekeeping agent for COLOTRUST's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. COLOTRUST does not have any limitations or restrictions on participant withdrawals.

NOTE 4: INVENTORIES

Food Service Fund inventory of \$1,841 as of June 30, 2017, consisted of purchased food. Purchase inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

SOUTH CONEJOS SCHOOL DISTRICT RE-10
Notes to Basic Financial Statements
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NOTE 5: CAPITAL ASSETS

Activity for governmental activities capital assets that are capitalized by the District is summarized below:

	Restated Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Governmental Activities				
Capital assets not being depreciated				
CIP	\$ -	\$ 43,239	\$ -	\$ 43,239
Land	45,124	-	-	45,124
Total capital assets not being depreciated	45,124	43,239	-	88,363
Capital assets being depreciated				
Land improvements	94,455	-	61,838	32,617
Building and improvements	21,021,401	11,261	1,475,780	19,545,507
Equipment	230,791	-	217,158	13,633
Food service equipment	5,618	-	4,914	704
Vehicles	543,740	-	14,370	529,370
Total capital assets being depreciated	21,896,005	11,261	1,774,060	20,121,831
Total capital assets	21,941,129	54,500	1,774,060	20,210,194
Accumulated depreciation				
Land improvements	(70,070)	(1,631)	(58,654)	(13,047)
Building and improvements	(1,225,736)	(392,937)	(833,052)	(783,622)
Equipment	(174,022)	(1,948)	(171,100)	(4,870)
Food service equipment	(5,618)	-	(4,914)	(704)
Vehicles	(452,203)	(18,395)	(14,370)	(456,228)
Total accumulated depreciation	(1,927,649)	(414,911)	(1,084,090)	(1,258,470)
Net capital assets	\$ 20,013,481	\$ (360,410)	\$ 701,346	\$ 18,951,724

Governmental activities depreciation is allocated in the Statement of Activities as follows:

Instruction	\$ 392,937
Supporting services	21,974
Total depreciation	\$ 414,911

NOTE 6: INTERNAL ACTIVITY

The district had the following internal balances as of June 30, 2017:

General Fund Due from Other Funds	\$ 87,494
Food Service Fund Due from Other Funds	13,954
General Fund Due to Other Funds	(4,305)
Grants Fund Due to Other Funds	(97,143)
Net Internal Balances	\$ -

Balances due to/due from other funds are presented as interfund receivables and payable amounts on the balance sheet for governmental funds. Many federal and state grants operate on a reimbursement basis, causing the need for a short-term loan from the General Fund. Balance due to the General Fund from other funds is \$87,494 at June 30, 2017.

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In addition, the district recorded the following routine transfers during the year:

General Fund	
Transfer to Food Service	\$ (67,612)
Transfer to Capital Reserve	(18,565)
Food Service	
Transfer from General Fund	67,612
Capital Reserve	
Transfer from General Fund	18,565
Net Internal Activity	<u>\$ -</u>

Transfers are used to move unrestricted revenues from the fund that collects them to specific programs accounted for in other funds in accordance with budget authorizations. The General Fund transferred money to the Food Service Fund to provide subsidies for operations and transfer revenues related to programs offered by those specific funds. The General Fund transferred money to the Capital Reserve Fund to meet current and future capital needs.

NOTE 7: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2017, are \$247,104, accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund of \$201,632, Designated Grants Fund of \$27,511 and Food Service Fund of \$17,961.

NOTE 8: LONG-TERM DEBT

The following is a summary of general long-term obligation transactions of the district for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Current Portion	Interest Expense
General Obligation Bonds	\$ 5,104,834	\$ -	\$ 195,647	\$ 4,909,187	\$ 203,840	\$ 209,684
PERA Net Pension Liability	5,994,764	5,239,863	-	11,234,627	-	-
Compensated Absences	33,654	15,900	-	49,554	10,042	-
Long-Service Compensation	15,333	-	15,333	-	-	-
Total Long-Term Obligations and Related Items	<u>\$ 11,148,585</u>	<u>\$ 5,255,763</u>	<u>\$ 210,980</u>	<u>\$ 16,193,368</u>	<u>\$ 213,882</u>	<u>\$ 209,684</u>

General Obligation Bonds

In 2014, the district issued \$5,477,745 of general obligation bonds that were used for an escrow match to build the PK-12 school replacement. The district was awarded a Building Excellent Schools Today (BEST) lease-purchase grant requiring the escrow match. Principal is due annually on December 1, and interest at a rate of 4.18% is due semiannually on June 1, and December 1. Payments are made through the Bond Redemption Fund. Bond payments to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 203,840	\$ 201,320	\$ 405,160
2019	212,376	192,604	404,980
2020	221,270	183,524	404,794
2021	230,537	174,064	404,601
2022	240,191	164,207	404,398
2023-2027	1,360,532	658,119	2,018,651
2028-2032	1,670,295	341,869	2,012,164
2033-2034	770,146	32,583	802,729
Total	\$ 4,909,187	\$ 1,948,290	\$ 6,857,477

Computation of Legal Debt Margin

Assessed valuation	\$ 28,861,936	
Debt limitation – 20% of assessed valuation		\$ 5,772,387
Total general obligation debt		4,909,187
Legal debt margin available		<u>\$ 863,200</u>

NOTE 9: JOINTLY GOVERNED ORGANIZATIONS

The district is a participant in a jointly governed organization to operate the San Luis Valley Board of Cooperative Educational Services (BOCES). The BOCES was formed for the purpose of administrative functions among member districts for special education and federal grants. The BOCES is governed by a board of directors consisting of a member of the board of education and the superintendent from each of the participating members. The district does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. The district made contributions to the BOCES of \$34,836 for the year ended June 30, 2017. Financial statements for the BOCES can be obtained from the BOCES administrative offices at: 2261 Enterprise Dr., Alamosa, CO 81101.

NOTE 10: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the South Conejos School District RE-10 are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and South Conejos School District RE-10 are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S.

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§ 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer contribution rate ¹	10.15%	10.15%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	5.00%
Total employer contribution rate to the SCHDTF¹	19.15%	19.65%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

¹Amount of Employer Contribution includes 1.02% apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f). (See Note 12).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the district is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the district were \$308,541 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the district reported a liability of \$11,234,627 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll-forward the total pension liability to December 31, 2016. The district's proportion of the net pension liability was based on the district's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the district's proportion was 0.0377331817 percent, which was a decrease of 0.0014629027 percentage points from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the district recognized pension expense of \$2,144,634. At June 30, 2017, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 140,450	\$ 99
Changes of assumptions or other inputs	3,645,402	50,662
Net difference between projected and actual earnings on pension plan investments	375,663	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	355,435
Contributions subsequent to the measurement date	158,620	-
Total	\$ 4,320,135	\$ 406,196

The \$158,620 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount
2018	\$ 1,449,550
2019	1,514,030
2020	787,993
2021	3,747
Total	\$ 3,755,320

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and

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Notes to Basic Financial Statements
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effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA’s Board on November 18, 2016 to more closely reflect PERA’s actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

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- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the district's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$14,127,183	\$11,234,627	\$8,878,746

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 11: DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description - Employees of the district that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The district does not match employee contributions made by participants of the plan. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2017, program members contributed \$4,645.96.

NOTE 12: OTHER POST-EMPLOYEE BENEFITS

Health Care Trust Fund

Plan Description – The district contributes to the Health Care Trust Fund ("HCTF"), a cost sharing multiple employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The district is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the district are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, 2015 the district contributions to the HCTF were \$17,119, \$17,317 and \$17,568, respectively, equal to their required contributions for each year.

NOTE 13: RISK MANAGEMENT

Property and Liability Coverage. The district belongs to the Colorado School district Self Insurance Pool ("CSDSIP") that was formed in 1981 to give individual school districts more buying power and financial stability. By partnering with districts across the state, members gain better access to essential coverage at a competitive price, and more control over the entire risk management function. The coverage provided by CSDSIP is property, crime, general liability, auto liability and physical damage, and errors and omissions. CSDSIP became self-administered in 1997. The board of directors is comprised of nine persons who are district school board members, superintendents, or district business officials. Each member's premium contribution is determined by CSDSIP based on factors including, but not limited to, the aggregate CSDSIP claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income and reinsurance expense and profit sharing. Reporting to the Division of Insurance, as well as an audit and actuarial study is conducted annually. These reports may be obtained by contacting the CSDSIP administrative offices at 6857 South Spruce Street, Centennial, CO

80112. The district has not materially changed its coverage from previous years. The district has not recorded any liability for unpaid claims at June 30, 2017.

CSDSIP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. The ultimate liability to the district resulting from claims not covered by the pool is not readily determinable. Management is of the opinion that the final outcome of such claims, of any, will not have a material adverse effect on the District's financial statements.

Workers Compensation. The district carries commercial insurance for worker's compensation coverage. Risk of loss transfers to the carrier.

NOTE 14: COMMITMENTS AND CONTINGENCIES

The district has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead grantor agencies to request reimbursement for disallowed expenditures. District management believes disallowances, if any, would not materially affect the overall financial position or results of operations of the district.

NOTE 15: BEST GRANT/NEW FACILITY

The district received a BEST Grant through the Colorado Department of Education for construction of a new facility that commenced during fiscal year 2014 with the district providing a match payment held in escrow of \$5,477,745. The State is funding a portion of the project, \$14,082,673, through Certificate of Participation issuances. The State coordinates the payment to the contractors with no funding flowing through the district other than for reimbursable costs that the district may incur. The district will not receive clear title to the improvements until the State repays the certificates. At that point, the district will record a capital asset and related accumulated depreciation for the cost of the BEST improvements, along with offsetting reduction of the outstanding long-term grant receivable.

Capital costs, with a value of \$19,534,245, were incurred as of June 30, 2016. The amortized value of the State's contribution as of June 30, 2016, was \$13,775,370. The facility was placed in service during the 2016 fiscal year.

NOTE 16: STATUTORY COMPLIANCE

For the year ended June 30, 2017, the following funds exceeded budgeted amounts: Food Service Fund by \$25,092 and the Bond Redemption Fund by \$406,081. The district did not adopt an appropriation resolution for the year ended June 30, 2017. The findings may be a violation of state statute.

The District failed to submit to the Colorado Office of the State Auditor and the Colorado Department of Education the annual audit of the financial statements within six months after the close of the fiscal year. Due to the District's delinquent status, the state auditor notified the Conejos County treasurer to hold property tax revenues until the District submits the required annual report.

REQUIRED SUPPLEMENTARY INFORMATION

This section presents the budgetary comparison schedules for the General Fund and the Grants Funds, the major special revenue fund. It also includes schedules regarding the district's proportionate share of PERA's net pension liability and their annual contributions.

General Fund

All activities of the district are reported in the General Fund unless there is a legal or contractual requirement to use another fund. Most instructional and administrative expenditures are processed through the General Fund. Primary revenue sources are local property taxes and state aid.

Grants Fund

This fund is used to account for revenues and expenditures related to federal and state grants.

SOUTH CONEJOS SCHOOL DISTRICT RE-10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VAIANCE WITH BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Local:			
Property taxes	\$ 549,828	\$ 513,996	\$ (35,832)
Specific ownership	159,251	186,019	26,768
Gifts and grants	91,871	169,376	77,505
Sale of capital assets	157,000	188,060	31,060
Other	51,040	65,787	14,747
Earnings on investments	3,000	1,489	(1,511)
State:			
State equalization	2,008,505	1,959,296	(49,209)
Transportation	30,698	35,080	4,382
Vocational education	30,000	27,018	(2,982)
English Language Proficiency Act	8,852	20,212	11,360
READ Act	15,400	11,012	(4,388)
Gifted and talented	-	5,187	5,187
Library grant	-	3,500	3,500
At-risk	-	2,586	2,586
Small rural schools	-	-	-
Federal grants	50,000	2,487	(47,513)
TOTAL REVENUES	<u>3,155,445</u>	<u>3,191,106</u>	<u>35,661</u>
EXPENDITURES			
Current:			
Instruction	1,632,050	1,330,523	301,527
Pupil support	63,633	144,426	(80,793)
Staff support	15,400	9,760	5,640
General administration	308,951	339,794	(30,843)
School administration	213,917	188,430	25,487
Operations and maintenance	369,686	296,244	73,442
Transportation	165,108	85,921	79,187
Other central support	105,716	114,702	(8,986)
Risk management	132,500	51,961	80,539
Other supporting services	41,750	45,892	(4,142)
TOTAL EXPENDITURES	<u>3,048,711</u>	<u>2,607,653</u>	<u>441,058</u>
Excess (deficiency) of revenues over (under) expenditures	<u>106,734</u>	<u>583,453</u>	<u>870,264</u>
OTHER FINANCING SOURCES (USES)			
Transfer to food service	(40,000)	(67,612)	(27,612)
Transfer to capital reserve	(25,000)	(18,565)	6,436
Net change in fund balance	<u>41,734</u>	<u>497,277</u>	<u>455,543</u>
Fund balance - Beginning of year		<u>887,744</u>	
Fund balance - End of year		<u>\$ 1,385,020</u>	

SOUTH CONEJOS SCHOOL DISTRICT RE-10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
For the Year Ended June 30, 2017

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VAIANCE WITH BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Federal sources	\$ 189,927	\$ 180,888	\$ (9,039)
TOTAL REVENUES	<u>189,927</u>	<u>180,888</u>	<u>(9,039)</u>
EXPENDITURES			
Instruction	169,896	161,719	8,177
Pupil support	8,999	3,096	5,903
General administration	1,707	9,633	(7,926)
School administration	9,325	6,440	2,885
TOTAL EXPENDITURES	<u>189,927</u>	<u>180,888</u>	<u>9,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfer in (out) - net	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - Beginning of year		-	
Fund balance - End of year		<u>\$ -</u>	

SOUTH CONEJOS SCHOOL DISTRICT RE-10
Schedule of District's Proportionate Share of the Net Pension Liability
PERA - School Division Trust Fund
For the Year Ended December 31,

	2016	2015	2014	2013
District's proportion of the net pension liability	0.038%	0.039%	0.042%	0.043%
District's proportionate share of the net pension liability	\$ 11,234,627	\$ 5,994,764	\$ 5,737,038	\$ 5,518,655
District's covered payroll	\$ 1,693,533	\$ 1,708,157	\$ 1,773,292	\$ 1,744,216
District's proportionate share of the net pension liability as a percentage of its covered payroll	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	43.13%	59.16%	62.84%	64.07%

Note 1: Information above is presented as of the measurement date

Note 2: Information is not currently available for years prior to 2013; additional years will be displayed as they become available

Note 3: The notes to the required supplementary information are an integral part of this statement

SOUTH CONEJOS SCHOOL DISTRICT RE-10
Schedule of District's Contributions
PERA - School Division Trust Fund
For the Year Ended June 30,

	2017	2016	2015	2014
Contractually required contributions	\$ 308,541	\$ 301,153	\$ 290,878	\$ 286,783
Contributions in relation to the contractually required contribution	(308,541)	(301,153)	(290,878)	(286,783)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,678,342	\$ 1,697,751	\$ 1,722,369	\$ 1,792,860
Contributions as a percentage of covered payroll	18.38%	17.74%	16.89%	16.00%

Note 1: Information above is presented as of the district's fiscal year

Note 2: Information is not currently available for years prior to 2014; additional years will be displayed as they become available

Note 3: The notes to the required supplementary information are an integral part of this statement

NOTE 1: BUDGETARY INFORMATION

The district follows these procedures in establishing the budgetary data reflected in the financial statements.

- i. Per §22-44-105, C.R.S., legally adopted budgets are required for all funds. During May, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July. Budgets include estimated expenditures and the means of financing them.
- ii. Public hearings are conducted by the board of education to obtain taxpayer comments.
- iii. Prior to June 30th, the budget is adopted by formal resolution of the board of education, and the district issues a separate budget document.
- iv. Authorizations to revise the total expenditures of any fund must be approved by the Board of Education.
- v. Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- vi. Budget amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year.
- vii. Appropriations for all funds lapse at fiscal year-end.

NOTE 2: CHANGE IN ASSUMPTIONS AND OTHER INPUTS FOR PERA – SCHOOL DIVISION

Changes in assumptions or other inputs since the December 31, 2015 actuarial valuation are as follows:

- i. Investment rate of return assumption decreased from 7.5 percent per year, compounded annually, net of investment expenses, to 7.25 percent.
- ii. Price inflation assumption decreased from 2.80 percent per year to 2.40 percent.
- iii. Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent.
- iv. Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent.
- v. Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.
- vi. The discount rate was lowered from 7.50 percent to 5.26 percent.

SUPPLEMENTARY INFORMATION

This section presents the major and nonmajor fund financial statements. These statements show a more detailed look at the funds.

Major Governmental Funds

Bond Redemption Fund

This fund is used to account for property tax revenues and expenditures related to general obligation long-term debt principal, interest and related costs.

Nonmajor Governmental Funds

Food Service Fund

Food service operates the school lunch and breakfast programs and serves nutritious meals to district students and adults. The district offers a summer food service program. Primary funding is provided by federal and state resources. The district receives money through summer food distribution, school fresh fruits and vegetables, federal commodities, national school lunch program and school breakfast program.

Pupil Activity Fund

This fund is used to account for school-sponsored intrascholastic and interscholastic athletic and other related activities. These activities are supported in whole, or in part, by revenue from pupils, gate receipts and other fundraising activities.

Capital Projects Capital Reserve Fund

This fund may be used to account for major capital projects. The capital reserve activity is funded through elective transfers from the General Fund.

SOUTH CONEJOS SCHOOL DISTRICT RE-10
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Total Nonmajor Governmental</u>
	<u>Food Service</u>	<u>Pupil Activity</u>	<u>Capital Reserve</u>	
ASSETS				
Cash and investments	\$ 856	\$ 137,695	\$ 7,202	\$ 145,753
Interfund accounts receivable	13,954	-	-	13,954
Grants receivable	11,663	-	-	11,663
Inventories	1,841	-	-	1,841
TOTAL ASSETS	<u>\$ 28,313</u>	<u>\$ 137,695</u>	<u>\$ 7,202</u>	<u>\$ 173,210</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Accounts payable	\$ 8,511	\$ -	\$ -	\$ 8,511
Accrued salaries and benefits	17,961	-	-	17,961
TOTAL LIABILITIES	<u>26,473</u>	<u>-</u>	<u>-</u>	<u>26,473</u>
Fund balances:				
Nonspendable:				
Inventories	1,841	-	-	1,841
Assigned for:				
Capital Projects	-	-	7,202	7,202
Pupil activity	-	137,695	-	137,695
TOTAL FUND BALANCE	<u>1,841</u>	<u>137,695</u>	<u>7,202</u>	<u>146,738</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 28,313</u>	<u>\$ 137,695</u>	<u>\$ 7,202</u>	<u>\$ 173,210</u>

SOUTH CONEJOS SCHOOL DISTRICT RE-10
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Total Nonmajor Governmental</u>
	<u>Food Service</u>	<u>Pupil Activity</u>	<u>Capital Reserve</u>	
REVENUES				
Local:				
Pupil activities	\$ -	\$ 60,256	\$ -	\$ 60,256
Other	4,516	-	-	4,516
Earnings on investments	-	513	-	513
State:				
Grants	988	-	-	988
Federal grants	121,068	-	-	121,068
TOTAL REVENUES	<u>126,571</u>	<u>60,769</u>	<u>-</u>	<u>187,339</u>
EXPENDITURES				
Current:				
Instruction	-	64,638	-	64,638
Food service operations	202,117	-	-	202,117
Facilities acquisition and improvements	-	-	12,795	12,795
TOTAL EXPENDITURES	<u>202,117</u>	<u>64,638</u>	<u>12,795</u>	<u>279,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75,547)</u>	<u>(3,869)</u>	<u>(12,795)</u>	<u>(92,211)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from General fund	<u>67,612</u>	<u>-</u>	<u>18,565</u>	<u>86,176</u>
Net change in fund balances	<u>(7,935)</u>	<u>(3,869)</u>	<u>5,769</u>	<u>(6,034)</u>
Fund balance - Beginning of year	<u>9,776</u>	<u>141,564</u>	<u>1,432</u>	<u>152,772</u>
Fund balance - End of year	<u>\$ 1,841</u>	<u>\$ 137,695</u>	<u>\$ 7,202</u>	<u>\$ 146,738</u>

SOUTH CONEJOS SCHOOL DISTRICT RE-10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BOND REDEMPTION FUND
For the Year Ended June 30, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH BUDGET POSITIVE (NEGATIVE)
REVENUES			
Local:			
Property taxes	\$ 80,500	\$ 507,406	\$ 426,906
Earnings on investments	5	255	250
TOTAL REVENUES	80,505	507,660	427,155
EXPENDITURES			
Debt service:			
Principal	-	195,647	(195,647)
Interest	-	209,684	(209,684)
Fees	-	750	(750)
TOTAL EXPENDITURES	-	406,081	(406,081)
Excess (deficiency) of revenues over (under) expenditures	80,505	101,579	21,074
Net change in fund balance	80,505	101,579	21,074
Fund balance - Beginning of year		324,652	
Fund balance - End of year		\$ 426,231	

SOUTH CONEJOS SCHOOL DISTRICT RE-10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

Food Service Fund
For the Year Ended June 30, 2017

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Local sources	\$ 2,500	\$ 4,516	\$ 2,016
State sources	1,025	988	(37)
Federal sources	113,500	121,068	7,568
TOTAL REVENUES	<u>117,025</u>	<u>126,571</u>	<u>9,546</u>
EXPENDITURES			
Food service	<u>177,025</u>	<u>202,117</u>	<u>(25,092)</u>
TOTAL EXPENDITURES	<u>177,025</u>	<u>202,117</u>	<u>(25,092)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(60,000)</u>	<u>(75,547)</u>	<u>(15,547)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in (out) - net	<u>60,000</u>	<u>67,612</u>	<u>7,612</u>
Net change in fund balance	<u>-</u>	<u>(7,935)</u>	<u>(7,935)</u>
Fund balance - Beginning of year		9,776	
Fund balance - End of year		<u>\$ 1,841</u>	

SOUTH CONEJOS SCHOOL DISTRICT RE-10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
For the Year Ended June 30, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH BUDGET POSITIVE (NEGATIVE)
REVENUES			
Local:			
Local sources	\$ 80,000	\$ 60,256	\$ (19,744)
Earnings on investments	400	513	113
TOTAL REVENUES	<u>80,400</u>	<u>60,769</u>	<u>(19,631)</u>
EXPENDITURES			
Instruction	<u>80,400</u>	<u>64,638</u>	<u>15,762</u>
TOTAL EXPENDITURES	<u>80,400</u>	<u>64,638</u>	<u>15,762</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(3,869)</u>	<u>(3,869)</u>
Net change in fund balance	<u>-</u>	<u>(3,869)</u>	<u>(3,869)</u>
Fund balance - Beginning of year		141,564	
Fund balance - End of year		<u>\$ 137,695</u>	

SOUTH CONEJOS SCHOOL DISTRICT RE-10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS CAPITAL RESERVE FUND
For the Year Ended June 30, 2017

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
TOTAL REVENUES	\$ 2,525	\$ -	\$ (2,525)
EXPENDITURES			
Capital projects	27,525	12,795	14,730
TOTAL EXPENDITURES	27,525	12,795	14,730
Excess (deficiency) of revenues over (under) expenditures	(25,000)	(12,795)	12,205
OTHER FINANCING SOURCES (USES)			
Transfer in - general fund	25,000	18,565	(6,436)
TOTAL OTHER FINANCING SOURCES (USES)	25,000	18,565	(6,436)
Net change in fund balance	-	5,769	5,769
Fund balance - Beginning of year		1,432	
Fund balance - End of year		<u>\$ 7,202</u>	

**REPORT ON COMPLIANCE WITH
CDE-FINANCIAL POLICIES AND PROCEDURES MANUAL**



**Wall,
Smith,
Bateman Inc.**

To the Board of Education
South Conejos School District RE-10
Antonito, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Conejos School District RE-10 (the District), as of and for the year ended June 30, 2017, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated March 12, 2019.

In connection with our audit, four items came to our attention that caused us to believe that the District failed to comply with the Colorado Department of Education Financial Policies and Procedures Manual insofar as it relates to financial transparency and budgeting matters.

- An appropriation budget resolution was not adopted by the District's Board of Education for the fiscal year 2016 - 2017. This may be a violation of Colorado Revised Statute 22-44-105.
- Total expenditures exceeded budget appropriations in the Food Service Fund and the Bond Redemption Fund by \$25,092 and \$406,081, respectively, in fiscal year ended June 30, 2017. This may be a violation of Colorado Revised Statute 22-44-115(1).
- The District did not post all required financial information on-line, in a downloadable format, for free public access in accordance with the "Public School Finance Transparency Act."
- The District did not file the 2017 audit report with the Colorado Office of the State Auditor by the deadline of December 31, 2017. This may be violation of Colorado Revised Statute 29-1-606.

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Education and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.

March 12, 2019

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com



Colorado Department of Education

Auditors Integrity Report

District: 0580 - SOUTH CONEJOS RE-10

Fiscal Year 2016-17

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	887,744	3,104,929	2,607,652	1,385,020
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	887,744	3,104,929	2,607,652	1,385,020
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	9,776	194,182	202,117	1,841
22 Govt Designated-Purpose Grants Fund	0	180,888	180,888	0
23 Pupil Activity Special Revenue Fund	141,564	60,769	64,638	137,695
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	324,652	507,660	406,081	426,231
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,432	18,565	12,795	7,202
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	1,385,167	4,066,983	3,474,172	1,957,988
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL